



2013
ANNUAL
REPORT



DOCTORS HOSPITAL
Isn't Your Health Worth It?

BAHAMAS
Medical Center
INTERNATIONAL CENTER FOR MEDICAL EXCELLENCE

DOCTORS HOSPITAL HEALTH SYSTEMS



OUR MISSION

Doctors Hospital exists to operate a quality acute care hospital that meets and exceeds the healthcare needs and expectations of our patients, provides an enriching and rewarding professional environment for our Associates and Physicians, makes a positive contribution to the advancement of healthcare in the Region, and provide increasing value to our shareholders.



OUR MISSION

The Bahamas Medical Center exists to assist in the fulfillment of the vision of Doctors Hospital by providing Emergency and Outpatient care to the population of New Providence and the Family Islands along with our International Patients. We will also provide a Medical Fitness Center that will coordinate a comprehensive Wellness program.

OUR VISION

Doctors Hospital will be the best healthcare provider in the Region.

OUR CORE VALUES

The phrase **“We Care”** is more than just a slogan to us, it is an acronym for the qualities we believe are essential to our business:

W - Welcome
E - Empathy

C - Commitment
A - Accountability
R - Respect
E - Excellence

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CHAIRMAN'S REPORT



At Doctors Hospital Health System, we continue to focus on our strategic plan and during this year have implemented a number of developmental initiatives which had been in the planning stages for some time.

Specifically, the Bahamas Medical Center on Blake Road underwent substantial renovations and was opened in late 2012. The Blake Road facility has a new name, new branding and a new website. The Bahamas Medical Center website is being well received and is generating considerable interest locally, in North America and elsewhere. This is in keeping with our strategy to develop international healthcare opportunities and the experience and response to date is most encouraging.

The financial results during the year in the Health System fell short of our expectations, however it is necessary to carefully view the financial results of the Blake Road and Collins Avenue facilities separately to truly get an understanding of our fundamental strength. Doctors Hospital (Bahamas) Limited net profit did record improvement, resulting from increased revenues. However the loss for the Health System was generated by the Bahamas Medical Center, which as already noted is in a start up mode having opened in late September 2012. It is expected that it could take 18-24 months to arrive at a break-even position. But as revenue grows we would expect to see a commensurate improvement in net income.

While the importance of the Bahamas Medical Center reaching a positive position cannot be overstated, the Board is watching the activity closely. New programs to meet the competitive demands of an international clientele are being explored and will be introduced as the opportunity arises. Clearly there has already been a very healthy increase in ambulatory surgery and emergency visits and we believe the very recently introduced Medical Fitness Program will grow over the course of the coming year thereby adding to the Blake Road facility's revenue. Quality standards continue to play a role in all of the decision-making and we anticipate the first Joint Commission Inspection for the Bahamas Medical Center during the



upcoming fiscal year.

Much has been said herein in respect of the international initiatives. It would be remiss of me to exclude the local environment. The Blake Road facility does meet all of the needs of good health care. It has imaging, operating room, physiotherapy, specialist capability and adequate parking. The location is ideal for a rapidly changing and growing western demographic. Consequently Bahamas Medical Center has become extremely popular with the local population for all of those reasons. New clinical procedures available to the international market will also be available to the local populace.

Suffice it to say, Doctors Hospital on Collins Avenue remains second to none and is ready to meet all of the local population's needs whenever top quality healthcare is required. While plans for the expansion of our core facility at Collins Avenue remain on the table, the economy remains sluggish. Nevertheless any expansion will be phased in as the anticipated economic turnaround happens. Recent activity at Doctors Hospital continues to show us that more space will ultimately be required.

Competition in certain technological specialty services is strong and growing. However Doctors Hospital has and will continue to be at the forefront in this area of healthcare. We monitor the marketplace closely to ensure that our strategy of being the market leader is not compromised.

On behalf of the Board of Directors, I thank our Physicians, Associates and shareholders for the support. Meeting and exceeding the expectations of our customers and patients while ensuring that Doctors Hospital Health System is poised for the future remains our objective.

Sincerely

JOE W. P.
KRUKOWSKI
Chairman of the Board
Doctors Hospital Health System Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Fiscal 2013 Results of Operations

Consolidated Net income totaled \$723,756 or \$0.07 per share, for the year ended January 31, 2013, compared to \$1,435,998, or \$0.14 per share, for the year ended January 31, 2012. Net income for Doctors Hospital (Bahamas) Limited for fiscal 2013 totaled \$1,858,886 compared with \$1,776,312 last year. Net Loss for Bahamas Medical Center (formerly Western Medical Plaza) is \$(1,135,130) compared with \$(340,314) fiscal 2012.

DOCTORS HOSPITAL (BAHAMAS) LIMITED

Revenue/Volume Trends

For the year ended January 31, 2013, *adult patient days* decreased by 29.6% from the previous year, almost 70% of this decrease was in the Intensive and Intermediary Care Units. Total *admissions* to the facility were 4,061 in fiscal 2013 compared to 4,317 in fiscal 2012, representing a 5.9% decrease over the prior year. The average daily census decreased to 29.5 patients per day from 32 in the previous year.

While in-patient services saw a decline during the year, outpatient and emergency related services increased making up the shortfall in inpatient revenue. It is too soon to determine if this is a new trend.

Expenses:

Total expenses increased \$307,685 or 0.8% and as a percentage of total revenue expenses decreased from 96.1% in fiscal 2012 to 95.9% in fiscal 2013. The principal costs and expenses are discussed below:

Salaries and Benefits

Salaries and benefits increased by \$123,242, or 0.7% over the previous year. These expenses remained

constant as a percentage of Net Patient Revenue. The slight increase is attributable to increased rates for health insurance and National Insurance.

Medical Supplies

Medical supplies decreased by \$86,607 or 1.3% in fiscal 2013 over the previous year, a direct result a lower inpatient census. These expenses, as a percentage of net patient service revenues decreased to 14.0% in fiscal 2013 from 14.3% in fiscal 2012.

Medical Services

Medical Services increased by \$682,085 or 10.8% in fiscal 2013 over the previous year. There was a corresponding increase in gross revenue of \$467,097 that is a direct offset of this amount for Physician services. The balance of the increase was in maintenance contracts for medical equipment.

BAHAMAS MEDICAL CENTER LIMITED

Revenue/Volume Trends

Bahamas Medical Center opened to the public during October 2012 offering Emergency and Outpatient services, and Day Surgery cases in November. Total revenue for the four months of operation was \$486,032 compared with \$90,605 last fiscal. The revenue is projected to gradually improve next year with increases in Day Surgeries and the start of surgical programs for International Patients mid 2013. The facility is budgeted to be near break-even by the end of fiscal 2014.

Expenses

Total expenses were \$1,621,162 fiscal 2013 compared with \$430,920 fiscal 2012. Expenses were \$694,000 prior to opening and within that amount \$410,000

Continues...

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

was spent to ready the facility for opening.

Containing costs is a priority; especially in salaries by using the support departments of Doctors Hospital and part-time Associates until the facility's revenue has increased.

AR Management and Provision for Doubtful Accounts

Bad debt expense, as a percentage of patient service revenues decreased to 2.9% for the year ended January 31, 2013, compared to 4.4% the previous year. This represented a decrease of \$640,250, or 32.8%.

The number of days revenue in accounts receivable at year-end (AR Days) for fiscal 2013 stand at 47.5 compared with fiscal 2012 at 42.2 days. The increased census for the last two months of the year is responsible for the majority of this increase.

Liquidity and Capital Resources

INVESTING ACTIVITIES

Net cash used was \$3.4 million compared to net cash used of \$2.9 million in the previous year, an increase of \$0.5 million. All funds were used for purchases of property, plant, equipment, intangibles and facility improvements. As with the previous year, all investing activities for this year were funded from internally-generated cash flows. A general breakdown of the additions as reported in Note 12 and 14 to the financial statements are as follows:

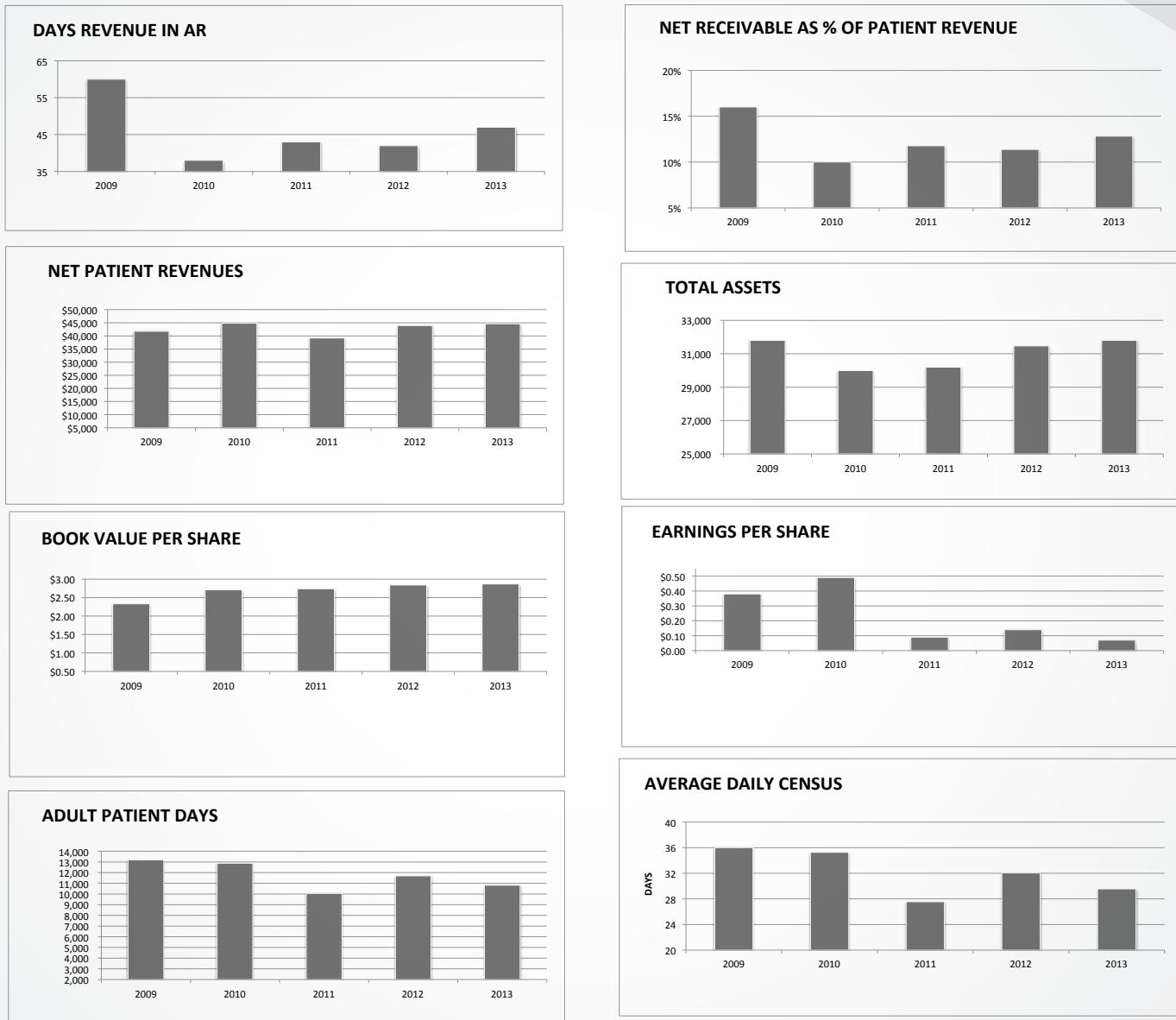
	Year Ended January 31, 2013	Year Ended January 31, 2012
Information technology	\$ 594,000	\$ 290,000
Medical equipment & furniture	454,000	937,000
Imaging equipment	-	1,525,000
Facility equipment and improvements	345,000	125,000
Support Department equipment	258,000	-
Bahamas Medical Center		
Equipment & Renovations	1,755,000	-
Total intangibles, plant and equipment	\$ 3,406,000	\$ 2,877,000

Capital for fiscal 2014 is projected at \$3.4 million for Doctors Hospital and \$0.8 million for Bahamas Medical Center.

FINANCING ACTIVITIES

Cash used in financing activities was \$ 0.4 million. One dividend was paid during the year totaling \$0.04 per share or \$ 0.4 million.

	2009	2010	2011	2012	2013
NET PATIENT REVENUES	41,789	44,842	39,177	43,933	44,621
AVERAGE DAILY CENSUS	36	35.3	27.6	32.0	29.6
ADULT PATIENT DAYS	13,188	12,875	10,061	11,696	10,818
BASIC EARNINGS PER SHARE	0.38	0.49	0.09	0.14	0.07
BOOK VALUE PER SHARE	2.33	2.71	2.74	2.84	2.87
TOTAL ASSETS	31,801	29,990	30,191	31,470	31,803
DAYS REVENUE IN AR	60	38	43	42	47
NET RECEIVABLE AS % OF PATIENT REVENUE	16%	10%	12%	11%	13%
SALARIES AND BENEFITS	16,264	17,062	16,700	18,143	18,630
SALARIES AND BENEFITS AS % OF NET PAT. REV.	39%	38%	43%	41%	42%





2013

INDEPENDENT AUDITOR'S REPORT



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Management Consultants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Doctors Hospital Health System Limited:

We have audited the consolidated financial statements of Doctors Hospital Health System Limited (the "Company"), which comprise the consolidated statement of financial position as at January 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Doctors Hospital Health System Limited as at January 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

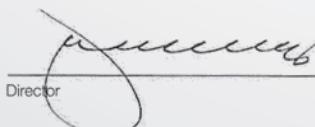
April 19, 2013

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT JANUARY 31, 2013***(Expressed in Bahamian dollars)*

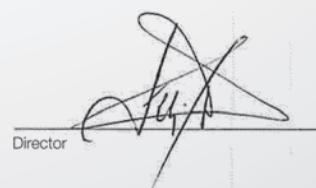
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 7)	\$ 6,130,154	\$ 6,911,071
Accounts receivable-patients, net (Note 8)	633,113	751,575
Accounts receivable-third-party payors, net (Note 8)	5,087,470	4,247,322
Inventories (Note 9)	1,638,396	1,395,372
Other assets (Note 10)	641,216	635,484
Total current assets	<u>14,130,349</u>	<u>13,940,824</u>
NON-CURRENT ASSETS:		
Investment	30,000	30,000
Goodwill, net (Note 11)	430,902	430,902
Other intangible assets (Note 12)	992,838	1,540,857
Investment property (Note 13)	-	4,214,306
Fixed assets (Note 14)	<u>16,218,816</u>	<u>11,312,721</u>
Total non-current assets	<u>17,672,556</u>	<u>17,528,786</u>
TOTAL ASSETS	<u><u>\$ 31,802,905</u></u>	<u><u>\$ 31,469,610</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other liabilities (Note 15)	<u><u>\$ 3,165,221</u></u>	<u><u>\$ 3,156,818</u></u>
EQUITY		
Share capital:		
Authorized 12,500,000 Common shares at par value of \$0.04 (2012 - 12,500,000); issued and fully paid		
9,971,634 (2012 - 9,971,634)	398,865	398,865
Contributed surplus	12,358,030	12,358,030
Retained earnings	<u>15,880,789</u>	<u>15,555,897</u>
Total equity	<u>28,637,684</u>	<u>28,312,792</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 31,802,905</u></u>	<u><u>\$ 31,469,610</u></u>

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 19, 2013 and are signed on its behalf by:



Director



Director

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JANUARY 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
REVENUE:		
Patient services revenue, net	\$ 44,621,165	\$ 43,933,324
Other revenue, net	<u>1,437,162</u>	<u>1,339,317</u>
Total revenue	<u>46,058,327</u>	<u>45,272,641</u>
EXPENSES:		
Salaries and benefits (Note 17)	18,630,178	18,142,856
Medical supplies and services	13,404,199	12,602,068
Depreciation and amortization (Notes 12, 13 and 14)	3,261,844	3,232,939
Other operating expenses	2,254,029	2,167,032
Utilities	1,747,970	1,587,827
Bad debt expense (Note 8)	1,309,066	1,949,319
Outside services	1,062,040	728,065
Government taxes and fees (Note 18)	1,012,535	977,061
Insurance	871,999	741,577
Repairs and maintenance	699,482	655,120
Dietary expenses	509,859	415,800
Rent	393,587	401,616
Legal expenses	<u>177,782</u>	<u>235,363</u>
Total expenses	<u>45,334,570</u>	<u>43,836,643</u>
PROFIT FOR THE YEAR AND COMPREHENSIVE INCOME	<u>\$ 723,757</u>	<u>\$ 1,435,998</u>
EARNINGS PER SHARE (Note 22):		
Basic and fully diluted	<u>\$ 0.07</u>	<u>\$ 0.14</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JANUARY 31, 2013

(Expressed in Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings	Total
Balance at January 31, 2011	9,971,634	\$ 398,865	\$ 12,358,030	\$ 14,518,764	\$ 27,275,659
Comprehensive income	-	-	-	1,435,998	1,435,998
Dividends paid (Note 19)	-	-	-	(398,865)	(398,865)
Balance at January 31, 2012	9,971,634	398,865	12,358,030	15,555,897	28,312,792
Comprehensive income	-	-	-	723,757	723,757
Dividends paid (Note 19)	-	-	-	(398,865)	(398,865)
Balance at January 31, 2013	<u>9,971,634</u>	<u>\$ 398,865</u>	<u>\$ 12,358,030</u>	<u>\$ 15,880,789</u>	<u>\$ 28,637,684</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2013

(Expressed in Bahamian dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	\$ 723,757	\$ 1,435,998
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense (Note 8)	1,309,066	1,949,319
Depreciation and amortization (Notes 12, 13 and 14)	3,261,844	3,232,939
Loss on disposal of fixed assets	648	-
Operating income before working capital changes	5,295,315	6,618,256
Increase in accounts receivable	(2,030,752)	(2,259,006)
Increase in inventories	(243,024)	(76,318)
(Increase) decrease in other assets	(5,732)	179,697
Increase in accounts payable and other liabilities	8,403	241,243
Net cash from operating activities	<u>3,024,210</u>	<u>4,703,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 14)	(3,349,316)	(2,526,575)
Purchase of intangible assets (Note 12)	<u>(56,946)</u>	<u>(350,777)</u>
Net cash used in investing activities	<u>(3,406,262)</u>	<u>(2,877,352)</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Dividends paid to shareholders (Note 19)	<u>\$ (398,865)</u>	<u>\$ (398,865)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(780,917)	1,427,655
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>6,911,071</u>	<u>5,483,416</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)		
	<u>\$ 6,130,154</u>	<u>\$ 6,911,071</u>
SUPPLEMENTAL INFORMATION:		
Interest received	<u>\$ 72,272</u>	<u>\$ 112,594</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

1. GENERAL

Doctors Hospital Health System Limited ("DHHS" or the "Company") was incorporated under the laws of the Commonwealth of The Bahamas on July 1, 1998. Shares of the Company are publicly traded and listed on the Bahamas International Securities Exchange. The Company provides a broad range of healthcare services. The consolidated financial statements for the year ended January 31, 2013 comprise the Company and its subsidiaries as described in Note 6.

The Company's registered office is located at Sassoona House, Shirley Street and Victoria Avenue, Nassau, Bahamas.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after February 1, 2012. The adoption of these Standards and Interpretations has not led to any changes in the Company's accounting policies.

a. Standards and Interpretations effective but not affecting the reported results or financial position

IFRS 1 (Amended) Severe Hyperinflation and Removal of Fixed Dates
IFRS 7 (Amended) Financial Instruments: Disclosures - Transfers of Financial Assets
IAS 12 (Amended) Deferred Tax-Recovery of Underlying Assets

The above standards have not led to changes in the consolidated financial position of the Company during the current year.

b. Standards and Interpretations in issue but not yet effective

IFRS 9 (Amended) Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurements
IAS 1 (Amended) Presentation of Items of Other Comprehensive Income
IAS 16 (Amended) Property, Plant and Equipment
IAS 19 (Revised 2011) Employee Benefits
IAS 27 (Revised 2011) Separate Financial Statements
IAS 28 (Revised 2011) Investments in Associates and Joint Ventures

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

IAS 32 (Amended) Offsetting of Assets and Liabilities
IAS 34 (Amended) Interim Financial Reporting
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - The consolidated financial statements of DHHS have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of preparation - The consolidated financial statements have been prepared on a historical cost basis except for financial assets and liabilities, which have been recorded at amortized cost.

Basis of consolidation - These consolidated financial statements include the accounts of the Company and its subsidiaries: Doctors Hospital (Bahamas) Limited ("DHB"), Doctors Hospital (East) Limited ("DHE"), Doctors Hospital (West) Limited ("DHW"), and Bahamas Medical Center Limited ("BMC"); formerly Western Medical Plaza ("WMP"). On September 11, 2012 the subsidiary Western Medical Plaza Limited's name was changed to Bahamas Medical Center. The Company and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas. The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies. These consolidated financial statements are expressed in Bahamian dollars, which is also the Company's functional currency.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. All inter-company accounts and transactions have been eliminated.

Cash and cash equivalents - Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial instruments - Financial assets within the scope of IAS 32 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

On initial recognition a financial asset or liability is measured at its fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition financial assets are classified as either financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; or available-for-sale; and are

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED JANUARY 31, 2013**
(Expressed in Bahamian dollars)

measured at their fair values without any deduction for transaction costs, except for the following financial assets:

- a) loans and receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;
- b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

After initial recognition financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Inventories - Inventories consist of pharmaceutical and medical supplies. Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition (including freight and duty) are accounted for on a first-in-first-out basis. Net realizable value is the estimated selling price less cost in the ordinary course of business.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

Goodwill - Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment is assessed as indicated under impairment of non-financial assets.

Intangible assets - Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Impairment is assessed as indicated under impairment of non-financial assets.

Intangible assets represent the core computer software application in the Company's healthcare information system and are amortized using the straight-line method over a period of seven years.

Fixed assets - Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less accumulated impairment losses. Such cost includes the cost of replacing part of the fixed asset when that cost is incurred, if the recognition criteria are met. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Land and buildings	20 - 40 years
Leasehold improvements	3 - 10 years
Furniture and equipment	3 - 10 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of fixed assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income.

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the fixed assets) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

Investment property - Investment properties include properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at cost, including transaction costs, less accumulated depreciation and accumulated impairment losses. Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal. Transfers from investment property shall be made when and only when there is a change in use evidenced by commencement and owner occupation.

Depreciation is calculated on a straight line basis over the useful life of the assets as follows:

Land and buildings	40 years
Leasehold improvements	10 years
Furniture and equipment	3 - 10 years

Impairment of non-financial assets - The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Company assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized.

Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 January.

Leases - Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The determination of whether an arrangement is, or contains a lease at inception date is based on the substance of the arrangement of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease rentals are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease and are included in rent expense.

Company as a lessor

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Revenue recognition - Net patient service revenue consists of patient service revenues that are recorded based upon established billing rates less allowances for contractual discounts. Included in net patient service revenue are services rendered by contracted third-party physicians, which are disbursed either during the same month recognized or when paid. Revenues are recorded during the period the healthcare services are provided based on estimated amounts due from patients and third-party payors. Estimates of contractual allowances are based upon the payment terms specified in the related contractual agreements. The estimated reimbursement amounts are subject to adjustment in subsequent periods as final settlements are determined based on detailed review of bills submitted for payment.

Pension benefits - The Company has a defined contribution pension plan. Contributions under the plan are recorded as expense in the consolidated statement of comprehensive income. The Company recognizes a liability for their portion and employee contributions withheld. There are no further obligations beyond the contribution.

Earnings per share - Basic earnings and fully diluted earnings per common share is computed by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

Income taxes - There are no income taxes imposed on the Company by the Commonwealth of The Bahamas.

Provisions - The Company accrues for estimated professional liability claims when the claims are probable and reasonably estimable. Details of claims are not separately disclosed where sensitive in nature or where such disclosure may impact negotiations.

Contingencies - A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated financial statements. They are not disclosed when the possibility of an outflow of resources embodying economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be recovered, the recovery shall be recognised when, and only when, it is virtually certain that it will be received if the Company settles the obligation. Recoveries arising from a liability claim are recognized as a receivable.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the consolidated statement of financial position date - Post year-end events that provide additional information about the Company's position at the consolidated statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgments and estimates - The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses and disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013

(Expressed in Bahamian dollars)

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for doubtful accounts

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for doubtful accounts is based on management's assessment of historical and expected net collections, business and economic conditions and other collection indicators. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to "uninsured" amounts (including co-payments and deductible amounts from patients who have healthcare coverage) due directly from patients. Accounts are written off when all reasonable internal and external collection efforts have been performed. Adverse changes in general economic conditions, business office operations, payor mix, or trends in healthcare coverage could affect collection of accounts receivable, cash flows and results of operations.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows over a period of time deemed reasonable by management.

Contingencies

The Company is currently a defendant in a number of cases involving claims and disputes mainly related to medical practice. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Company's consolidated financial position and financial performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

5. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

For management purposes, the Company is organized into units based on patient type, and has three reportable operating segments as follows:

In-patients - which include intensive care, intermediate care and medical/surgical care;

Out-patients - which include ambulatory surgical patients, imaging, laboratory, physical therapy and pharmaceutical services;

Emergency services - which include patients seen through the Emergency Department.

Support services such as dietary, environmental, security, engineering, and all administrative departments have been allocated to these segments based on revenue dollars, square footage and number of employees where appropriate.

Bahamas Medical Center - a subsidiary of DHHS opened during October to Emergency and Outpatient diagnostic service. Day surgeries began in November and Physical Rehabilitation and Medical Fitness programs started late January.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

	2013					
	In-Patient	Out-Patient	Emergency services	Unallocated	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center
Patient services revenue, net	\$ 26,205,322	\$ 8,840,543	\$ 9,226,263	\$ -	\$ 44,272,128	\$ 349,037
Salaries	10,926,026	3,486,320	3,853,752	-	18,266,098	364,080
Medical supplies and services	7,873,373	2,548,464	2,775,709	-	13,197,546	206,653
Depreciation and amortization	1,819,623	580,613	641,805	-	3,042,041	219,803
Other operating	1,263,411	403,135	445,622	-	2,112,168	141,861
Utilities	961,403	306,768	339,100	-	1,607,271	140,699
Bad debt expense, net of recoveries	783,056	249,861	276,194	-	1,309,111	(45)
Outside services	483,916	154,409	170,684	-	809,009	253,031
Government taxes and fees	535,019	170,716	188,708	-	894,443	118,092
Repairs and maintenance	330,461	105,445	116,558	-	552,464	147,018
Dietary expenses	294,467	93,960	103,862	-	492,289	17,570
Rent	235,428	75,121	83,038	-	393,587	-
Legal expenses	98,925	31,565	34,892	-	165,382	12,400
Total expenses	25,605,108	8,206,377	9,029,924	-	42,841,409	1,621,162
Segment profit (loss)	600,214	634,166	196,339	-	1,430,719	(1,272,125)
Other revenue	-	-	-	1,300,167	1,300,167	136,995
Insurance	-	-	-	(871,999)	(871,999)	-
Unallocated sub total	-	-	-	428,168	428,168	136,995
Net income (loss)	\$ 600,214	\$ 634,166	\$ 196,339	\$ 428,168	\$ 1,858,887	\$ (1,135,130)
						\$ 723,757

(Continued)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

	2012				
	In-Patient	Out-Patient	Emergency services	Unallocated	Consolidated
Patient services revenue, net	\$ 27,350,100	\$ 8,280,880	\$ 8,302,344	\$ -	\$ 43,933,324
Salaries	11,370,818	3,313,629	3,458,409	-	18,142,856
Medical supplies and services	7,898,195	2,301,654	2,402,219	-	12,602,068
Depreciation and amortization	1,926,382	561,377	585,905	-	3,073,664
Other operating	1,357,901	395,713	413,003	-	2,166,617
Bad debt expense, net of recoveries	1,221,713	356,025	371,581	-	1,949,319
Utilities	961,612	280,228	292,472	-	1,534,312
Government taxes and fees	540,323	157,458	164,338	-	862,119
Repairs and maintenance	402,251	117,222	122,344	-	641,817
Outside services	401,830	117,099	122,216	-	641,145
Dietary expenses	260,598	75,942	79,260	-	415,800
Rent	251,708	73,352	76,556	-	401,616
Legal expenses	145,913	42,521	44,379	-	232,813
Total expenses	26,739,244	7,792,220	8,132,682	-	42,664,146
Segment profit	610,856	488,660	169,662	-	1,269,178
Other revenue	-	-	-	1,339,317	1,339,317
Insurance	-	-	-	(741,577)	(741,577)
Western Medical Plaza expenses	-	-	-	(430,920)	(430,920)
Unallocated sub total	-	-	-	166,820	166,820
Net income	\$ 610,856	\$ 488,660	\$ 169,662	\$ 166,820	\$ 1,435,998

The Company does not allocate assets and liabilities to reportable segments and this information is not reported to, or used by, the chief operating decision maker in order to allocate resources to the segments.

(Concluded)

6. INVESTMENTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest	
		2013	2012
Doctors Hospital (Bahamas) Limited	Bahamas	100	100
Doctors Hospital (East) Limited	Bahamas	100	100
Doctors Hospital (West) Limited	Bahamas	100	100
Bahamas Medical Center	Bahamas	100	100

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013

(Expressed in Bahamian dollars)

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2013	2012
Short-term deposits	\$ 4,585,456	\$ 4,503,961
Cash at bank and in hand	<u>1,544,698</u>	<u>2,407,110</u>
	<u><u>\$ 6,130,154</u></u>	<u><u>\$ 6,911,071</u></u>

Short-term deposits are made for varying periods of between 30 days and 3 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

8. ACCOUNTS RECEIVABLE, NET

Accounts receivable-patients represent amounts due primarily from self-pay patients and balances due from insured patients after settlements by their insurers. Accounts receivable third-party payors represent amounts due from insurance companies.

	2013	2012
Accounts receivable - third-party payors	\$ 5,718,871	\$ 4,770,266
Accounts receivable - patients	3,034,037	2,324,393
Allowance for doubtful accounts	<u>(3,032,325)</u>	<u>(2,095,762)</u>
	<u><u>\$ 5,720,583</u></u>	<u><u>\$ 4,998,897</u></u>

Movement in the allowance for doubtful account was as follows:

	2013	2012
Balance at beginning of the year	\$ 2,095,762	\$ 1,972,680
Bad debt expense for the year	1,309,066	1,949,319
Recoveries previously written off	267,178	226,572
Doubtful receivables written off in the year	<u>(639,681)</u>	<u>(2,052,809)</u>
Balance at end of the year	<u><u>\$ 3,032,325</u></u>	<u><u>\$ 2,095,762</u></u>

(Continued)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

At January 31, the aging analysis of patient and third-party receivables, net of provisions, were as follows:

Patient	2013	2012
0-30	\$ 140,751	\$ 96,481
31-90	195,341	124,796
91-180	143,047	349,933
181-270	153,974	180,365
Total	<u>\$ 633,113</u>	<u>\$ 751,575</u>

Third-Party Payors	2013	2012
0-30	\$ 3,923,821	\$ 3,337,498
31-90	860,210	502,718
91-180	303,439	407,106
Total	<u>\$ 5,087,470</u>	<u>\$ 4,247,322</u>

(Concluded)

9. INVENTORIES

Inventories are comprised of the following:

	2013	2012
Medical supplies	\$ 1,278,395	\$ 1,116,661
Pharmaceuticals	360,001	278,711
Total inventories at the lower of cost and net realizable value	<u>\$ 1,638,396</u>	<u>\$ 1,395,372</u>

The amount of write-downs of inventories recognized as an expense is \$66,550 (2012: \$161,618), which is recognized in medical supplies and services on the consolidated statement of comprehensive income.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

10. OTHER ASSETS

Other assets are comprised of the following:

	2013	2012
Prepaid expenses	\$ 413,808	\$ 380,538
Security deposits	151,965	151,565
Advances and other assets	<u>75,443</u>	<u>103,381</u>
	<u><u>\$ 641,216</u></u>	<u><u>\$ 635,484</u></u>

11. GOODWILL

The goodwill recorded relates to the Company's acquisition of imaging subsidiaries. The Company tests goodwill for impairment annually or more frequently if there are indications that goodwill may be impaired. The tests were performed at January 31 and no provision for impairment was deemed necessary. Therefore, goodwill at January 31, 2013 is \$430,902 (2012: \$430,902).

12. OTHER INTANGIBLE ASSETS

Other intangible assets are comprised of the following:

	2013	2012
Cost:		
Balance at beginning of year	\$ 4,112,776	\$ 3,761,999
Additions	<u>56,946</u>	<u>350,777</u>
Balance at end of year	<u><u>\$ 4,169,722</u></u>	<u><u>\$ 4,112,776</u></u>

Accumulated amortization:

Balance at beginning of year	\$ 2,571,919	\$ 2,024,055
Amortization for the year	<u>604,965</u>	<u>547,864</u>
Balance at end of year	<u><u>\$ 3,176,884</u></u>	<u><u>\$ 2,571,919</u></u>
Net book value	<u><u>\$ 992,838</u></u>	<u><u>\$ 1,540,857</u></u>

Other intangible assets represent the core computer software application in the Company's healthcare information system. Amortization expense is included in the line item 'depreciation and amortization' in the consolidated statement of comprehensive income.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

13. INVESTMENT PROPERTY

Investment property is comprised of the following:

	Land and buildings	Leasehold improvements	Furniture and equipment	Total
COST:				
Balance at January 31, 2011	<u>5,703,061</u>	<u>153,812</u>	<u>419,086</u>	<u>6,275,959</u>
Balance at January 31, 2012	<u>5,703,061</u>	<u>153,812</u>	<u>419,086</u>	<u>6,275,959</u>
Transfers out	<u>(5,703,061)</u>	<u>(153,812)</u>	<u>(419,086)</u>	<u>(6,275,959)</u>
Balance at January 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACCUMULATED DEPRECIATION:				
Balance at January 31, 2011	<u>\$ 1,370,008</u>	<u>\$ 124,441</u>	<u>\$ 407,928</u>	<u>\$ 1,902,377</u>
Depreciation	<u>132,792</u>	<u>15,326</u>	<u>11,158</u>	<u>159,276</u>
Balance at January 31, 2012	<u>1,502,800</u>	<u>139,767</u>	<u>419,086</u>	<u>2,061,653</u>
Transfers out	<u>(1,502,800)</u>	<u>(139,767)</u>	<u>(419,086)</u>	<u>(2,061,653)</u>
Balance at January 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CARRYING AMOUNT:				
At January 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At January 31, 2012	<u>\$ 4,200,261</u>	<u>\$ 14,045</u>	<u>\$ -</u>	<u>\$ 4,214,306</u>

Investment property was transferred to Fixed Assets in the amount of \$4,214,306. The hospital opened an outpatient facility, a wholly owned subsidiary of DHHS, at the Blake Road property, under the name Bahamas Medical Center Limited (formerly Western Medical Plaza Limited) as of October, 2012. The capital infusion in Bahamas Medical Center, during 2013 was \$1,754,859.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

14. FIXED ASSETS

Fixed assets are comprised of the following:

	Land and buildings	Work-in- Progress	Leasehold improvements	Furniture and equipment	Total
COST:					
Balance at January 31, 2011	\$ 10,037,790	\$ 390,323	\$ 1,391,563	\$ 17,558,651	\$ 29,378,327
Additions	-	182,337	99,382	2,244,856	2,526,575
Disposal	-	-	(18,033)	(2,910,268)	(2,928,301)
Balance at January 31, 2012	10,037,790	572,660	1,472,912	16,893,239	28,976,601
Transfers in	5,703,061	-	153,812	419,086	6,275,959
Additions	-	70,298	253,791	3,025,227	3,349,316
Disposal	-	-	(238,296)	(955,691)	(1,193,987)
Balance at January 31, 2013	<u>\$ 15,740,851</u>	<u>\$ 642,958</u>	<u>\$ 1,642,219</u>	<u>\$ 19,381,861</u>	<u>\$ 37,407,889</u>
ACCUMULATED DEPRECIATION:					
Balance at January 31, 2011	\$ 6,606,691	\$ -	\$ 705,905	\$ 10,753,786	\$ 18,066,382
Depreciation	144,238	-	183,597	2,197,964	2,525,799
Disposal	-	-	(18,033)	(2,910,268)	(2,928,301)
Balance at January 31, 2012	6,750,929	-	871,469	10,041,482	17,663,880
Transfers in	1,502,800	-	139,767	419,086	2,061,653
Depreciation	244,419	-	209,037	2,203,423	2,656,879
Disposal	-	-	(238,296)	(955,043)	(1,193,339)
Balance at January 31, 2013	<u>\$ 8,498,148</u>	<u>\$ -</u>	<u>\$ 981,977</u>	<u>\$ 11,708,948</u>	<u>\$ 21,189,073</u>
CARRYING AMOUNT:					
At January 31, 2013	<u>\$ 7,242,703</u>	<u>\$ 642,958</u>	<u>\$ 660,242</u>	<u>\$ 7,672,913</u>	<u>\$ 16,218,816</u>
At January 31, 2012	<u>\$ 3,286,861</u>	<u>\$ 572,660</u>	<u>\$ 601,443</u>	<u>\$ 6,851,757</u>	<u>\$ 11,312,721</u>

During the year, fully depreciated assets of \$1,193,987 (2012: \$2,928,301) were retired from service. Included in leasehold improvements, furniture and equipment at January 31, 2013 are fully depreciated assets of \$5,894,084 (2012: \$4,691,249).

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are comprised of the following:

	2013	2012
Accounts payable - trade	\$ 1,193,865	\$ 1,180,449
Accrued expenses	889,899	1,030,337
Related party payable (Note 20)	664,965	581,706
Other liabilities	265,193	206,102
Vacation benefit accrual	<u>151,299</u>	<u>158,224</u>
	<u>\$ 3,165,221</u>	<u>\$ 3,156,818</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- Accrued expenses are non-interest bearing and are settled throughout the financial year.
- Related party payable is non-interest bearing and payable to Radiology Associates only when the corresponding amount in trade receivables is received by the Company and amounts owing to TEMS and Other directors' interests which are settled within 30 days. (See Note 20 for further information).
- Other liabilities are non-interest bearing and are normally settled throughout the financial year.
- Vacation benefit accrual is non-interest bearing and employees are encouraged to take time due in the year it is earned.

16. BANK BORROWINGS

The Company maintains an overdraft facility to finance working capital needs. The facility is secured by an assignment of accounts receivable. Interest is charged at the Bahamian dollar prime rate plus 1.25% per annum. At January 31, 2013, approximately \$2.7 million (2012: \$2.7 million) was undrawn and available.

17. SALARIES AND BENEFITS EXPENSE

Salaries and benefits expense are comprised of the following:

	2013	2012
Salaries and benefits (Note 20)	\$ 17,638,657	\$ 17,233,986
National Insurance costs	621,962	549,805
Pension costs - defined contributions pension plan (Note 21)	<u>369,559</u>	<u>359,065</u>
	<u>\$ 18,630,178</u>	<u>\$ 18,142,856</u>

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

18. GOVERNMENT TAXES AND FEES

Government taxes and fees are comprised of the following:

	2013	2012
Work permit fees	\$ 397,264	\$ 420,485
Business license	349,814	299,021
Property taxes	<u>265,457</u>	<u>257,555</u>
	<u>\$ 1,012,535</u>	<u>\$ 977,061</u>

19. DIVIDENDS PAID

	2013	2012
Equity dividend on ordinary shares:		
Final dividend for 2013 \$0.04 (2012: \$0.04)	<u>\$ 398,865</u>	<u>\$ 398,865</u>

20. RELATED PARTY TRANSACTIONS AND BALANCES

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Entities with significant influence over the Company	Year	Purchases from Related Parties	Amounts owed to Related Parties
Trauma and Emergency			
Medical Services Limited (TEMS)	2013	\$ 3,082,153	\$ 145,365
	2012	2,775,735	131,938
Radiology Associates Limited	2013	2,089,520	512,706
	2012	1,948,914	350,775
Key management personnel	Year	Purchases from Related Parties	Amounts owed to Related Parties
Rassin Holding Ltd.	2013	\$ 60,000	\$ -
	2012	60,000	-
Barry and David Rassin	2013	48,000	-
	2012	48,000	-
Med Management Limited	2013	48,300	-
	2012	48,300	-
Other directors' interests	2013	248,890	6,894
	2012	193,199	98,993

(Continued)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

Entities with significant influence over the Company

Trauma and Emergency Medical Services Limited ("TEMS")

One of the directors is a principal in TEMS, the company contracted to provide physician service in the Company's emergency department.

Radiology Associates Limited

One of the directors is a principal in Radiology Associates, the Company contracted to provide radiologist services in the Company's imaging department.

Other directors' interests

During the year, the Company made purchases totaling \$248,890 (2012: \$193,199) from IBM (Bahamas) Limited ("IBM") and other international affiliates of IBM. One of the Company's Directors is a senior executive of IBM.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended January 31, 2013 and 2012, the Company had no debts relating to amounts owed by related parties.

Transactions with other related parties

Compensation of key management personnel:

	2013	2012
Short-term employee benefits	\$ 1,426,247	\$ 1,406,092
Post-employment pension benefits	<u>123,081</u>	<u>121,746</u>
Total compensation paid to key management personnel	<u><u>\$ 1,549,328</u></u>	<u><u>\$ 1,527,838</u></u>

(Concluded)

21. PENSION PLAN

The Company has a defined contribution pension plan. Contributions to the plan amount to 10% of gross salaries of eligible Associates. The Company makes 100% of the 10% contribution for executive management personnel and matches all other Associate contributions up to 5% of gross salaries. Company and Associate contributions for the year ended January 31, 2013 amounted to \$671,578 (2012: \$653,674).

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

22. EARNINGS PER SHARE

Basic earnings and diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There are no potentially dilutive financial instruments therefore diluted and basic earnings per share are the same.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the year ended January 31:

	2013	2012
Profit	<u>\$ 723,757</u>	<u>\$ 1,435,998</u>
Weighted average number of ordinary shares on issue applicable to basic earnings per share	<u>9,971,634</u>	<u>9,971,634</u>
Earnings per share	<u>\$ 0.07</u>	<u>\$ 0.14</u>

23. COMMITMENTS

Operating lease commitments

Rental expenses for facilities and parking lots were approximately \$401,616 (2012: \$389,239).

Future minimum lease rentals are as follows as of January 31:

	2013	2012
Within one year	<u>\$ 344,903</u>	<u>\$ 388,817</u>
After one year but not more than five years	<u>454,716</u>	<u>957,069</u>
	<u><u>\$ 799,619</u></u>	<u><u>\$ 1,345,886</u></u>

24. CONTINGENCIES

The Company is subject to claims and lawsuits in the ordinary course of business. The largest category of these relates to medical malpractice. The results of claims, lawsuits and investigations cannot be predicted, and it is possible that from time to time the ultimate resolution of such matters, individually or in the aggregate, may have a material adverse effect on the Company's financial position, financial performance or cash flows.

When necessary, the Company defends itself vigorously against claims and lawsuits. However, the Company recognizes that, where appropriate, its interests may be best served by resolving certain matters without litigation. To that end, DHHS consistently engages in service recovery initiatives to satisfy customer needs and expectations and to achieve a non-litigated resolution of patient concerns.

The Company records provisions for claims and lawsuits when they are probable and estimable. The accrued amounts for estimated professional liability claims, to the extent not covered by

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013 (Expressed in Bahamian dollars)

insurance, are included in accounts payable and other liabilities. Liabilities and corresponding recoveries arising from claims and lawsuits are recorded gross.

25. RISK MANAGEMENT

The Company's principal financial instruments consist of cash and cash equivalents. The Company has other financial instruments such as accounts receivable and accounts payable, which arise directly from its operations. The Company does not enter into derivative transactions.

Financial risk management objectives and policies - The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Company has written risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control its financial instruments in a timely and accurate manner. Such written policies are reviewed annually by the Board of Directors and quarterly reviews are undertaken to ensure that the Company's policy guidelines are adhered to.

Credit risk - Credit risk arising from the inability of the counterparty to meet the terms of the Company's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Company. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Company does not expect to incur material credit losses on its risk management or other financial instruments. The Company's maximum exposure to credit risk in the event the counterparties fail to perform their obligations at January 31, 2013 in relation to each class of financial assets, is the carrying amount as indicated in the consolidated statement of financial position.

Concentrations of credit risk - The Company grants credit without collateral to its patients, most of which are local residents and are insured under third-party payor agreements. The maximum percentage owed by any one third-party payor is 29%. The mix of receivables (shown net) from patients and third party payors at January 31 was as follows:

	2013	2012
Patients	11%	15%
Third party payors	<u>89%</u>	<u>85%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Liquidity risk - The Company is exposed to liquidity risk in connection with its debt obligations, accounts payable and accrued expenses. Liquidity risk arises if the Company is unable to collect its receivables quickly at fair value, thereby affecting the Company's ability to repay its debts. The Company monitors its cash flows on a regular basis and has access to overdraft facilities as described in Note 16.

Operational risk - Operational risk is the risk that deficiencies in information systems or internal controls result in unexpected business, financial and operating losses. The identification and

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2013

(Expressed in Bahamian dollars)

control of these risks is managed by the Company's management team. The Company's management team conducts regular reviews of all operational areas to ensure operational risks are being properly controlled and reported to the Finance/Audit Committee. Contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

Fair value of financial instruments - Financial instruments utilized by the Company include recorded assets and liabilities. All of the Company's financial instruments are short-term in nature or have interest rates that reset to market on a regular basis. Accordingly, the estimated fair value of the financial instruments is not materially different from the carrying value for each major category of the Company's recorded assets and liabilities.

26. CAPITAL MANAGEMENT

The primary objective of the Company's capital management program is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company regards equity as capital. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended January 31, 2013 or January 31, 2012.

27. SUBSEQUENT EVENT

An agreement for sale was signed on February 26, 2013 for Doctors Hospital (East) Limited to purchase a lot of land containing sixteen thousand five hundred thirty five and eighty one hundredths (16,535.81) square feet more or less situate on the southern side of Shirley Street approximately three hundred and twenty five (325) feet east of its junction with Collins Avenue in the Eastern District of the Island of New Providence for \$723,750 net from Rassin Holdings Limited. One of the Principals of Rassin Holdings Limited is Barry Rassin, the President of DHHS and owner of 14.8% of the Company's issued and outstanding ordinary shares. A deposit of \$72,375 was paid on March 19, 2013.

PROFESSIONAL ADVISORS



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**Shareholders should refer specific questions regarding their shareholdings to the listed Register & Transfer Agent*

EXECUTIVE TEAM



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SEALY**
Chief Executive Officer



**DR CHARLES
DIGGISS**
Chief Medical Officer



**JOANNE
LOWE**
Chief Financial Officer



**MARSHA
SANDS**
VP Quality & Patient Safety



**CHADWICK
WILLIAMSON**
VP Management
Information System



**SABRINA
WALKINE**
VP Corporate Finance



**JASMINE
DAVIS**
VP Patient Finance



**DORCENA
NIXON**
VP Patient Care



**PAUL
HAVEN**
VP Human Resources



**CYNTHIA
SAWYERS**
VP Clinical Services



**MICHAELA
SUMNER-BUDHI**
Legal Counsel

BOARD OF DIRECTORS



**JOE
KRUKOWSKI**
Chairman



**FELIX
STUBBS**
Vice Chairman



**OWEN
BETHEL**



**DR CHARLES
DIGGISS**



**DR LARRY
CARROLL**



**KAREN
CAREY**



**BARRY
RASSIN**



**JEFFREY
ROBERTSON**



**LEROY
ARCHER**

NOTES



NOTES





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Isn't Your Health Worth It?

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Medical Center
INTERNATIONAL CENTER FOR MEDICAL EXCELLENCE